UNITED STATES BANKRUPTCY COURT

DISTRICT OF NEW YORK

In Re:	08-13934 (PCB)
CAPITOL HEALTH MANAGEMENT, INC. and ARLENE PEDONE,	One Bowling Green New York, New York
Debtors.	May 28, 2009

TRANSCRIPT OF MOTION TO CONVERT
AND ORDER TO LIFT STAY
BEFORE THE HONORABLE PRUDENCE C. BEATTY
UNITED STATES BANKRUPTCY JUDGE

APPEARANCES:

For the Debtors: KEVIN J NASH, ESQ.
Goldberg, Weprin, Finkel Goldstein
1501 Broadway
New York, New York 10036

For Stembi Corp.: EZIO SCALDAFERRI, ESQ.
Feder, Kaszovitz, LLP
845 Third Avenue
New York, New York 10022

For the U.S. Trustee: United States Trustee's Office
BY: MARYLOU MARTIN, ESQ.
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THE COURT: You may be seated.

This is all Capitol Health Management.

MR. NASH: Yes, Your Honor. We do have a settlement to report.

THE COURT: Oh, good.

MR. NASH: All right. The major motion is the landlord motion, the extension and assumption of leases, and there was one objection, it was filed by our main landlord in Astoria and if Your Honor recalls it was issues over use of the basement, upstairs, ground floor, terms of the lease and so forth.

What the parties have done is settled on a new lease and it's a two year lease that will start June 1, 2009 and go through May 31, 2011. Each year the rent will be $13,000.00 per month. The debtor will occupy the entire basement, the first floor and one upstairs office on the second floor. Parkway is giving back its two offices and the debtor is giving back one office upstairs.

The debtor will continue to do the maintenance as before. In parking, there's been a change in the parking. We had seven spots. We're giving up one so the landlord will have access to the side lot and one space in the back. There's four --

THE COURT: So that would mean you have five spaces?

MR. NASH: Six. I have six. I'm giving back one and

I think they used, you know, historically, the side but the landlord will have use of the side and he'll have the one in the back.

There's four electric meters so that works out well except that the heat comes through the main meter on the ground floor which we occupy so the new tenants will have to make some adjustments on that.

There's a one month security -- there's a $5,000.00 security deposit. There will be issued a warrant of eviction and a stay that can only be exercised on thirty days prior notice. I'm giving up a right of first refusal under the prior lease and I believe that's about it. Am I correct?

MR. SCALDAFERRI: Your Honor, I think that's correct. The only thing --

THE CLERK: State your name for the record.

MR. SCALDAFERRI: Ezio Scaldaferri of Feder, Kaszovitz on behalf of Stembi.

The only thing is that the unit upstairs, the suite that Capitol is retaining, is the one in the rear of the building.

MR. NASH: In the rear -- the back. Where we are now. Yes, sir. It was our original space. Correct.

THE COURT: Okay. But you are giving up one suite upstairs?

MR. NASH: Yes.

MR. SCALDAFERRI: Correct.

MR. NASH: Actually, yes, Capitol is giving up one and Parkway is giving up two.

THE COURT: Okay. And you believe that you will be left with adequate space?

MR. NASH: Yes, I do. The basement is a key for us and, obviously, the main floor is a key.

THE COURT: Okay. And you will reduce that to writing; correct?

MR. NASH: Yes, we will.

MR. SCALDAFERRI: Yes, Your Honor.

THE COURT: I think having a lease that's not in writing is a bad idea.

MR. NASH: Right. I think so too. It probably violates the statute of frauds or some other doctrine.

THE COURT: Right.

MR. SCALDAFERRI: Yes.

MR. NASH: But we will do that.

THE COURT: Okay.

MR. NASH: Your Honor, the Toshiba motion we carried. I've asked Your Honor -- I'm still discussing with Toshiba to carry that to June 30th, that's the next date --

THE COURT: Okay.

MR. NASH: -- at eleven and I guess we'll carry the U.S. Trustee's motion to June 30th.

THE COURT: All right. But this now resolves all the leases that were all assumption motions.

MR. NASH: Yes. Yes, I will submit an order assuming the balance of those leases and assume this lease as modified on the record.

THE COURT: Okay. I would urge you to try to get that lease written as quickly as possible.

MR. NASH: I will do that this afternoon.

THE COURT: I mean, afterall, you use a broad form lease and make a few little changes, it's not that big a deal.

MR. NASH: What we'll probably do is just make an amendment to the old lease.

THE COURT: I don't really care.

MR. NASH: Right.

THE COURT: All I'm saying to you is I don't anticipate that we're spending 65 hours drafting a lease.

MR. NASH: No, that will kill the economics of the deal, Judge.

THE COURT: That's what I think.

MR. NASH: Thank you very much.

THE COURT: Thank you.

MR. SCALDAFERRI: Thank you, Judge.

THE COURT: Hopefully, you won't run into the thundering heard on the way out.

MR. NASH: If you don't time it right, Judge, you wait outside like a bakery.

THE COURT: Well, I know. We started Chrysler at 2:15 so, hopefully, you'll be able to get out.

MR. NASH: You know, it's funny, they didn't even have enough room for the cell phones.

THE COURT: Off the record. Yes. What were you going to say?

MR. NASH: They didn't have enough room. The guy was saying, we're running out of room for the cell phones. They ran out of chips for the cell phones. So I was lucky, I got 72. I had to make a call. He said, I'm going to save you a spot because if I don't you're not going to be able to deal with the cell phone.

Now, if you get General Motors on Monday it could be even bigger.

THE COURT: Well, it's true, it should file on Monday for trial. So I don't know. Okay.

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C E R T I F I C A T I O N

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I certify that the foregoing is a transcript from an electronic sound recording of the proceedings in the above-entitled matter.

S/ Carla Nutter

CARLA NUTTER

Dated: October 5, 2010